



LEWIS GROUP LIMITED

(Incorporated in South Africa with limited liability under Registration Number 2004/009817/06)

ZAR2,000,000,000

Domestic Medium Term Note Programme

Unconditionally and irrevocably guaranteed, jointly and severally, by the Guarantors (from time to time and for the time being)

ISSUER DISCLOSURE DOCUMENT

29 September 2021

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RISK FACTORS

Words used in this section entitled “Risk Factors” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding of any Notes are exhaustive.

All of these risks could materially affect the Group, its reputation, business, results of its operations and overall financial condition.

The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

RISK ASSOCIATED WITH THE NOTES

1. RISKS RELATING TO THE ISSUER’S BUSINESS

KEY POTENTIAL RISKS FACING THE BUSINESS

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk committee. The committee is responsible for ensuring the Group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

A dedicated chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, risk appetite, relevant responsibilities and the risk management plan.

The Risk Working Group (“**RWG**”) is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. A top-down approach is applied by the business units in the Group in assessing the risks twice a year. The RWG

reviews the registers with a focus on:

- completeness of risks identified across the Group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The RWG also develops the risk appetite and obtains board approval through the risk and audit committees. Senior executives and line management are responsible for implementing the risk appetite and reporting any material deviations above the approved threshold limits.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the group risk assessment are reported to the Risk Committee of the Group and the Audit and Risk Committee of Monarch Insurance.

The group's external insurance and self-insurance programmes cover a wide range of risks. The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.

A summary of our material issues, related risks and risk mitigation factors are presented in the following table:

1 Covid-19 pandemic	
<p>The Covid-19 pandemic and related lockdown resulted in severe trading restrictions for the retail sector and continues to have a significantly adverse impact on the state of the economy and the financial position of many South Africans. The group aims to limit the impact of the pandemic on the business operations and ensure the health and safety of staff and customers.</p>	
Related risks	Risk mitigation
<ul style="list-style-type: none"> ▪ Change in shopping patterns with consumers reluctant to visit stores to avoid contracting the virus ▪ Potential disruption of the merchandise supply chain on local and imported merchandise owing to logistical challenges and factory closures ▪ Customers in the lower to middle income target market of the group's traditional brands are vulnerable to the rising levels of unemployment in the country due to the impact of Covid-19 ▪ Store closures and trading disruption owing to staff infections ▪ Consumer spending contracting further in a post Covid-19 recessionary environment ▪ An increase in death claims and loss of income claims together with a possible increase in unpaid premiums ▪ Travel restrictions on operational management and collections staff resulted in limited levels of supervisory oversight and the inability to execute our collection model 	<ul style="list-style-type: none"> ▪ Crisis management team comprising senior executives established to manage workplace impacts and risks ▪ World Health Organisation and National Institute for Communicable Diseases protocols maintained across all stores and offices ▪ Effective business continuity plans for working remotely during period of extended lockdown ▪ Focus on cash preservation ▪ Tight cost management ▪ Discounted fees negotiated with suppliers and service providers during period when stores were closed ▪ Electronic payment platforms established for customer account payments during lockdown ▪ Robust balance sheet and low gearing ensured the group was resilient to the decline in cash flow when stores were closed
2 Retail trading conditions	
<p>The macro-economic environment in South Africa has a significant impact on the group's operations and the current weak trading conditions can impact both sales and collections across the trading brands.</p>	
Related risks	Risk mitigation
<ul style="list-style-type: none"> ▪ Constrained consumer spending and weak consumer sentiment as a result of poor economic conditions 	<ul style="list-style-type: none"> ▪ The group's store-based business model has proven resilient through multiple economic downturns ▪ The amendments to the affordability assessment regulations of the National Credit Regulator enabling self-employed and informally employed individuals to again apply for credit, will continue to benefit sales ▪ The growth rate in other revenue is expected to move closer to the growth in credit sales over the medium term. ▪ The group's diversification strategy is expected to continue to support sales

	<p>growth, with UFO, the group's cash business, continuing to perform well.</p> <ul style="list-style-type: none"> Industry consolidation and store closures by competitors creates the opportunity for the group's brands to increase market share
3 Credit risk management	
Effective credit risk management aims to optimise the quality of the debtors' book by reducing debtor costs through improved collections and lower bad debts.	
Related risks	Risk mitigation
<ul style="list-style-type: none"> Inability to management credit risk could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit External factors such as the Covid-19 pandemic, high levels of unemployment and tough economic conditions in the countries of operation could impact on the group maintaining the optimal quality of the debtors' book 	<ul style="list-style-type: none"> Ensuring continued focus on collections productivity and efficiency to increase collection rates and reduce bad debts Expanded strategy to convert more customers to the AEDO (Authenticated Early Debit Order) collection service Adjusting credit risk policies and rules to mitigate risks Focus on increasing satisfactory paying customers
4 Capital management	
The efficient management of capital, financial risks and liquidity is key to the group's financial stability and to improving returns to shareholders.	
Related risks	Risk mitigation
<ul style="list-style-type: none"> Inefficient capital management could impact on profitability and returns to shareholders Volatility of exchange rate impacting on margin, pricing and merchandise planning 	<ul style="list-style-type: none"> Ensure access to capital at all times Ensure efficient allocation of capital Continued investment in organic growth and in the debtors' book Return funds to shareholders through dividend payments Continue the share buy-back programme at levels that are earnings enhancing Limit borrowings to ensure group's gearing remains low Manage currency exposure and risk, and hedge against currency fluctuations
5 Information technology	
Leading information technology systems are critical to protect the group against the threat of cyber crime and limit the risk of breaches of data security and customer privacy, and avoid business interruption due to the unavailability of key operating systems.	
Related risks	Risk mitigation
<ul style="list-style-type: none"> Cyber risk could result in the breach of personal information, identity theft, loss of intellectual property and financial loss Legal liability and reputational damage arising from breaches in cyber security Business interruption owing to the unavailability of main operating systems and disruption to critical services could impact on revenue and profitability 	<ul style="list-style-type: none"> Monitor IT governance processes across the business through the IT Steering Committee Maintain and enhance the group's information security management system (ISMS) Self-assessment undertaken of ISMS information security practices

<ul style="list-style-type: none"> ▪ Loss of data as a result of the exposure of systems to mobile devices and other interfacing systems ▪ Unauthorised access to sensitive corporate data and customers' personal information ▪ Increased security risk from remote working and learning 	<ul style="list-style-type: none"> ▪ Policies implemented to address data security risks and cyber security solutions ▪ Automated blocking of cyber threats by global specialists in cyber defence ▪ Adequate cyber insurance cover ▪ Business continuity and disaster recovery capability enhanced by upgrading storage and computer processing capacity at disaster recovery site
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6 People

Attracting, motivating and retaining scarce and skilled retail and financial services talent is key to the sustainability of the group and the delivery of its strategy objectives.

Related risks	Risk mitigation
<ul style="list-style-type: none"> ▪ Inability to attract, motivate, develop and retain competent people ▪ Skills shortage in retail and financial services sectors increases employee mobility ▪ Loss of key people and challenge of attracting and retaining staff in current climate ▪ Incentive schemes not attractive owing to share price underperformance affecting the long-term incentive schemes ▪ High levels of turnover 	<ul style="list-style-type: none"> ▪ Improve talent management ▪ Focus on remuneration retention schemes ▪ Ensure competitiveness of remuneration packages for key staff ▪ External salary benchmarking surveys undertaken to ensure remuneration is competitive ▪ Enhance recruitment and selection practices and appoint internal succession candidates to vacant posts where possible ▪ Enhance transformation through black economic empowerment to improve diversity at all levels in the group ▪ Investment in leadership training and development ▪ Implement mentoring and coaching programmes

7 Regulation

Ensure compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.

Related risks	Risk mitigation
<ul style="list-style-type: none"> ▪ Legal sanctions for regulatory non-compliance could result in material financial loss and reputational damage ▪ Changes in legislation and regulation could adversely affect margins and profitability 	<ul style="list-style-type: none"> ▪ Monitor compliance with regulations and legislation through in-house legal and compliance teams

<ul style="list-style-type: none"> ▪ Inability to respond effectively to ongoing regulatory changes 	<ul style="list-style-type: none"> ▪ Mitigation measures and disciplinary processes implemented to ensure regulatory compliance in selling of financial products ▪ Engage with regulators on proposed legislative changes ▪ Ensure business is operating efficiently and identify alternate sources of revenue should legislative changes impact margins and profitability ▪ Focus on complying with licencing and related requirements of the new Insurance Act
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2. RISKS RELATING TO THE ISSUER'S INDUSTRY

Risks relating to the Issuer's industry have been included in the material issues and risks table included under point 1 above.

3. RISKS RELATING TO SOUTH AFRICA

3.1. RISKS RELATING TO EMERGING MARKETS

South Africa is an emerging market with significant socio-economic challenges. Investors in emerging markets such as South Africa should be aware that these markets carry risks which are different from those which apply to investment in more developed markets. These risks include economic and financial market volatility which may be exacerbated by global economic volatility, as well as, in some cases, significant legal and political risks.

Economic and financial market instability in South Africa has been caused by many different factors, including:

- high interest rates;
- high levels of inflation;
- exchange rate volatility;
- exchange controls;
- commodity price fluctuations;
- industrial action;
- the slowdown in the economic activity of its trading partners;
- wage and price controls;
- changes in economic and tax policies;
- the imposition of trade barriers;
- wide current account deficit;
- capital outflows;
- perceived or actual internal security issues; and
- general social, economic and business conditions.

Any of these factors, amongst others (such as the current COVID-19 crisis), as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisers before making an investment in the Notes/Securities.

Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this document may become outdated relatively quickly.

Additional risks relating to South Africa have been included in the material issues and risks table included under point 1 above.

4. **THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- 4.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- 4.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- 4.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- 4.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- 4.5. be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal

advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

5. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES

The Notes issued with the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the condition of the financial sector, the financial condition of the Issuer, the Issuer's financial performance and future prospects.

6. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY

In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

7. UNLISTED NOTES

The Issuer may issue unlisted Notes under the Programme. Unlisted Notes will not be regulated by the JSE or any other Financial Exchange. The holders of unlisted Notes will have no recourse against the JSE Guarantee Fund (or any successor fund) in respect of unlisted Notes.

8. MODIFICATION, WAIVERS AND SUBSTITUTIONS

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

9. RISKS RELATED TO NOTES GENERALLY

9.1. Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the listing of the Notes.

9.2. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

9.3. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section entitled “*South African Exchange Control*” of this Programme Memorandum. However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

10. **FINANCIAL MARKETS**

A prospective investor of the Notes should be aware of the prevailing and widely-reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

DESCRIPTION OF THE ISSUER AND THE INITIAL GUARANTOR

1. THE ISSUER

The Issuer, Lewis Group Limited (*Incorporated in South Africa with limited liability under Registration Number 2004/009817/06*), is a South African public company established on 19 April 2004 and listed on the JSE with its head office in Cape Town. The Issuer complies with the provisions of the Companies Act, and at all times complies in all material aspects with and is acting in conformity with its constitutional documents.

The Issuer holds 100% (one hundred percent) of the shares in Lewis Stores (Pty) Ltd (“**Lewis Stores**”). This entity is the Initial Guarantor to the Programme.

The Issuer’s operations are carried out by its operating subsidiaries, the 2 (two) most significant of which are Lewis Stores (Pty) Ltd and Monarch Insurance Ltd.

Lewis Stores is the entity which contains the core operational part of the Issuer’s business being the retail of household furniture, electrical appliances and home electronics, sold on credit through the [Lewis](#), [Best Home and Electric](#), and Beares brands as detailed below. In addition, the Issuer has trading subsidiaries in Botswana, Lesotho, Namibia and Eswatini.

2. LEGAL STATUS OF THE ISSUER AND GUARANTOR

Issuer

The Issuer was incorporated on 19 April 2004 under the laws of South Africa and is regulated under the Companies Act. The Issuer is a public company and is listed on the JSE.

The Issuer’s financial year end is currently 31 March of each year.

Company secretary	Ntokozo Makomba
Registration number	2004/009817/06
JSE code	LEW
ISIN	ZAE 000058236
Registered office	53A Victoria Road, Woodstock, 7925
Postal address	PO Box 43, Woodstock, 7915
Primary contact:	Ntokozo Makomba
Contact details of primary contact:	Telephone: (021) 460 4469
	Email address: NtokozoM@lewisgroup.co.za

The Guarantor

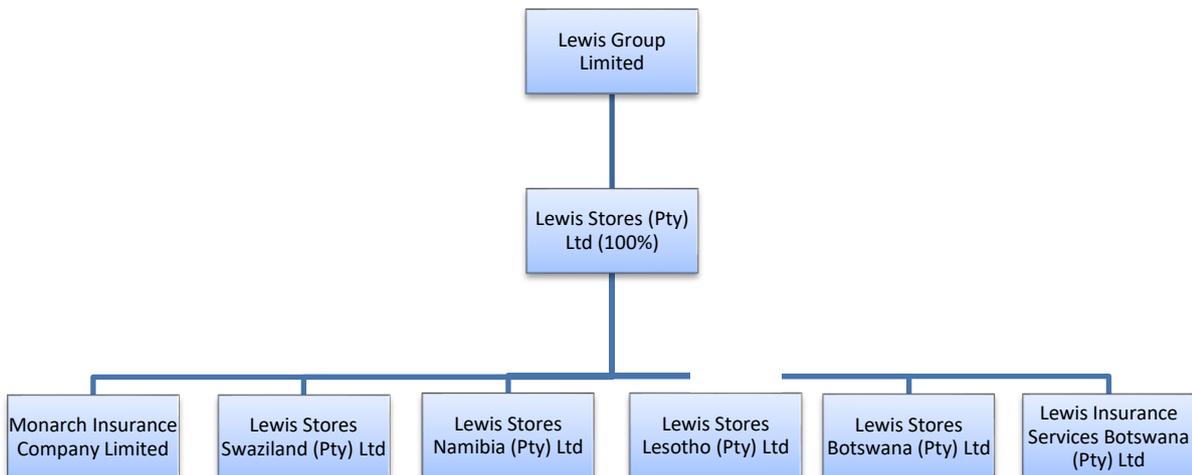
The Guarantor, Lewis Stores (Pty) Ltd, was incorporated on 3 October 1946 under the laws of South Africa and is regulated under the Companies Act. The Guarantor is a private company.

The current business operations of the Guarantor comprise the retailing of household furniture and allied services, mainly on credit.

The Guarantor's financial year end is currently 31 March of each year.

Company secretary	Ntokozo Makomba
Registration number	1946/023387/07
Registered office	53A Victoria Road, Woodstock, 7925
Postal address	PO Box 43, Woodstock, 7915
Primary contact:	Ntokozo Makomba
Contact details of primary contact:	Telephone: (021) 460 4469
	Email address: NtokozoM@lewisgroup.co.za

3. **OWNERSHIP AND CONTROL**



Board of Directors

In line with the recommendations of the King IV Code of Good Corporate Governance (“**King IV**”), the Group has a unitary board structure consisting of 6 (six) non-executive directors and 2 (two) full-time, salaried executive directors. The current composition of the board is as follows:

Independent non-executive directors

Hilton Saven: (CA) SA

- a) Full names: **Hilton Saven**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
 - **Independent non-executive chairman**
 - **Independent non-executive director**
 - **Chairman of the Nomination Committee. Member of the Audit, Risk, Remuneration and Social, Ethics and Transformation Committees**
 - **Appointed June 2004**
 - **Appointed as chairman in December 2017**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**

Current list of all companies of which he is a director: **Boardroom Corporate Services (Pty) Ltd, Balwin Properties Ltd, Herthco Nominees (Pty) Ltd, Lewis Group Limited, Monarch Insurance Company Limited, Mazars Inc., Mazars (Cape) Management Services CC, Mazars Management Services Proprietary Limited, Mazars Support Services Proprietary Limited, Mazars Technical Services Close Corporation, Truworths International Ltd, The Truworths Chairman’s Foundation, The Truworths International Share Trust, Consolidated Aone Trade and Invest 12 (Pty) Ltd, Praxity – Global Alliance Ltd (UK), Praxity IVZW (Belgium), Three Streams Holdings (Pty) Ltd, Wellsfaber Investment Holdings Limited**
- e) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- f) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors’ voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- g) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- h) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**

- i) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience:

Hilton Saven is an experienced company director and a registered Chartered Accountant. Hilton is the former chairperson of Mazars South Africa , an international firm of Accountants as well as the former chairperson of Praxity Alliance , an international alliance of Accounting firms.

Prof. Fatima Abrahams: BEcon (Hons), MCom, DCom

- a) Full names: **Fatima Abrahams**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Independent non-executive director**
 - **Chairperson of the Remuneration and Social, Ethics and Transformation Committee. Member of the Audit, Risk and Nomination Committees. Appointed June 2004**
 - **Appointed September 2005**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director: **Foschini Limited, Lewis Group Limited. Monarch Insurance Company Limited, Kapela Investments Holdings (Pty) Ltd, Kapela Holdings (Pty) Ltd, KANTAR SA (South Africa) Previously known as TNS Research Surveys (Pty) Ltd, Clicks Group Limited, Tsiba Education, M and Z Family Trust, New Clicks SA, Clicks Retailers (Pty) Ltd, The Clicks Group Employee Share Ownership Trust, Marsh (Pty)Ltd, W&A Investments, Fatima Abrahams Consulting CC, BP Southern Africa (Pty) Ltd, Ubuntu Foundation, Byxilol (Pty) Ltd, Liluye Investments (Pty) Ltd, Zafram Investments CC**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**

- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience: **Fatima is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor (part time) at the University of the Western Cape, having also served as dean of the Faculty of Economic and Management Sciences.**

Adheera Bodasing: BA, LLB, Intellectual Property Law

- a) Full names: **Adheera Bodasing**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Independent non-executive director**
 - **Member of the Audit, Risk, Remuneration and Nomination Committees**
 - **Appointed 1 June 2017**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**
- e) Current list of all companies of which she is a director: **Lewis Group Limited, Polarity Consulting, La Ficelle (Pty) Ltd, Even Grand Trading 51 CC, Bodasing Nicolas Trust**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**

- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience: **Adheera practiced at two of South Africa's leading law firms, Spoor and Fisher and Edward Nathan Sonnenbergs. She specialised in Intellectual Property Law, Gambling Law and Financial Sector law and policy. Prior to starting her own business, she headed the legal division of the National Treasury. She is currently the managing director of Polarity Consulting and provides legal guidance and advisory services to local and international businesses in highly regulated industries particularly the financial sector, gaming industry and energy sector**

Daphne Ramaisela Motsepe: BCompt, MBA

- a) Full names: **Daphne Ramaisela Motsepe**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Independent non-executive director**
 - **Member of the Audit, Risk and Nomination, Remuneration and Social, Ethics and Transformation Committees.**
 - **Appointed 1 June 2017**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**

Current list of all companies of which he is a director: Lewis Group Limited, Kapela Investments Holdings (including Kapela on the investee Board of SPX Flow Technology (Pty) Ltd and Zensar South Africa, Kapela Holdings, Alexander Forbes Community Trust, Edcon Limited, Merchantile Bank Holdings Limited, XON Holdings, Mikelina (Pty) Ltd

- e) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- f) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- g) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- h) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- i) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- j) Details of any offence involving dishonesty committed by such person: **None**
- k) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- l) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- m) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**

- n) Details of being barred from entry into any profession or occupation: **None**
- o) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- p) Expertise and experience: **Daphne is an experienced banking executive and company director. She was formerly chief executive of Absa card and unsecured lending at Absa Bank and also served as managing director of Postbank. She has previously served as non-executive director on the boards of Investec Bank, Highveld Steel and Vanadium, Edcon, Mercantile Bank, Woolworths Financial Services, Rand Mutual Assurance and Thebe Investment Corporation. Her skills combine strategic, business and financial skills**

Tapiwa Njikizana: CA(SA) JSE Registered IFRS Advisor

Member of the Audit, Risk, Remuneration, Nomination and Social, Ethics and Transformation

- a) Full names: **Tapiwa Hudson Njikizana**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Independent non-executive director**
 - **Member of the Audit, Risk, Remuneration and Nomination committees**
 - **Appointed as a non-executive director in 2019**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **Zimbabwean**
- e) Current list of all companies of which he is a director: **Lewis Group Limited and W.Consulting**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**

- q) Expertise and experience: **Tapiwa is an executive director at W.consulting SA (Pty) Ltd. He has previously served as a non-executive director on the board of Iliad Africa Limited and Mercantile Bank Holdings Limited. Tapiwa has held roles in leading industry bodies and committees including as a member of the Accounting Practice Committee of SAICA, and as a member of the Financial Reporting Investigation Panel (formerly, GAAP Monitoring Panel) of the JSE.**

Executive directors

Johan Enslin

- a) Full names: **Johan Enslin**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Executive director**
 - **Chief executive officer**
 - **Member of the Risk and Social, Ethics and Transformation Committee and attends the Audit, Nominations and Remuneration Committees by invitation.**
 - **Appointed as Chief Executive Officer and director in October 2009**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director: **Lewis Group Limited, Lewis Stores (Pty) Ltd, Lifestyle Living (Pty) Ltd, Kingtimm (Pty) Ltd, Enslin Family Trust, United Furniture Outlets (Pty) Ltd, Sonquas Boerdery**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**

- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience: **Johan has more than 26 years credit furniture retail experience. He joined the Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including Branch Manager, Regional Controller, Divisional General Manager, General Manager Operations and Operations Director of Lewis Stores Proprietary Limited. Prior to his appointment as the chief executive officer he was chief operating officer with responsibility for the retail operations of the group.**

Jacques Bestbier (CA)SA

- a) Full names: **Jacques Bestbier**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Executive director**
 - **Chief financial officer/ Financial Director**
 - **Member of the Risk Committee and attends the Audit and Risk Committee by invitation.**
 - **Appointed as executive director in April 2018**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director: **Lewis Stores (Pty) Ltd, Jalfa Investments CC, Lewis Group Ltd, United Furniture Outlets (Pty) Ltd**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**

- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience: **Jacques joined the group in 2012 and served as general manager: administration prior to his appointment as CFO-designate. Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.**

Debt Officer

- a) Full names: **Jacques Bestbier**
- b) Occupation and/or function, including whether in an executive or non-executive capacity, for example; non-executive chairman, executive chairman, chief executive officer, managing director, financial director, other relevant executive and non-executive director functions/status and the executive functions of all managers specified:
- **Debt Officer**
 - **Appointed on 29 October 2020**
- c) Business address: **Universal House, 53 Victoria Road, Woodstock, South Africa**
- d) Nationality: **South African**
- e) Current list of all companies of which he is a director: **Lewis Stores (Pty)Ltd, Jalfa Investments CC, Lewis Group Ltd, United Furniture Outlets (Pty)Ltd**
- f) Details of any bankruptcies, insolvencies or individual voluntary compromise arrangements of such person: **None**
- g) Details of any business rescue plans and/or resolution proposed by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of section 129(7) of the act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company; where such person is or was a director, with an executive function within such company at the time of, or within the 12 months preceding, any such event(s): **None**
- h) Details of any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such person is or was a partner at the time of or within the 12 months preceding such event(s): **None**
- i) Details of receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of, or within the 12 months preceding, such event: **None**
- j) Details of any public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies, and whether such person has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company: **None**
- k) Details of any offence involving dishonesty committed by such person: **None**
- l) Details regarding such person's removal from an office of trust, on the grounds of misconduct and involving dishonesty: **None**
- m) Details of any court order declaring such person delinquent or placing him under probation in terms of section 162 of the act and/or section 47 of the close corporations act, 1984 (act no. 69 of 1984) or disqualifying him to act as a director in terms of section 219 of the companies act, 1973 (act no. 61 of 1973): **None**
- n) Details of any convictions of any offence resulting in dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement: **None**
- o) Details of being barred from entry into any profession or occupation: **None**
- p) Details of any convictions in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act: **None**
- q) Expertise and experience: **Jacques is the chief financial officer and joined the group in 2012 and served as general manager: administration prior to his appointment as CFO-designate.**

Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.

- r) Contact details: Jacquesb@lewisgroup.co.za

Board of Directors of the Guarantor

- Johan Enslin
- Waleed Achmat
- Jacques Bestbier
- Derek Loudon
- Denys Marinus Oliphant

4. **GROUP PROFILE**

- Lewis Group is a leading retailer of household furniture and electrical appliances through its trading brands Lewis, Best Home and Electric, Beares and United Furniture Outlets (UFO).
- Founded in Cape Town in 1934, the Lewis Group has been listed on the JSE Limited since 2004. The group employs 8 374 permanent staff and is a strong supporter of the local furniture manufacturing sector.
- The group has 794 stores across all metropolitan areas and in rural South Africa, as well as a significant footprint in neighbouring African countries.
- As South Africa's largest furniture chain **Lewis** is a household name in furniture retailing. In the past 12 years the group has expanded its offering beyond the Lewis chain by developing the Best Home and Electric brand and acquiring established retail chains with good growth prospects.
- **Best Home and Electric** was established in 2008, selling home appliances as well as furniture ranges.
- In 2014 the group embarked on a strategy of diversifying across income groups, market segments, retail channels and product mix, acquiring the long-established **Beares** brand.
- 2018 saw further diversification with the acquisition of **UFO**, a cash retailer of luxury furniture targeting the higher income market.

African presence

- Lewis was one of the first South African retailers to expand into Southern African countries from the late 1960s. In 2016 the group acquired a portfolio of 56 stores in Botswana, Lesotho, Namibia and eSwatini which doubled the store presence outside of South Africa. There are currently 125 stores outside South Africa which collectively accounted for 14.9% of group revenue in the 2020 financial year.

Credit management

- Credit is offered to customers in the traditional retail brands of Lewis, Beares and Best Home and Electric. Credit is granted centrally at head office to ensure that credit risk policies are consistently applied and to remove subjectivity in the credit granting process. Stores are responsible for cash collections and payment follow-up with customers.
- The group has a credit customer base of 595 919 active customers and credit sales accounted for 56.9% of total sales in the 2020 reporting period.
- Customers purchasing merchandise on credit are offered insurance cover through Monarch Insurance, the group's short-term insurance subsidiary.

Customer commitment

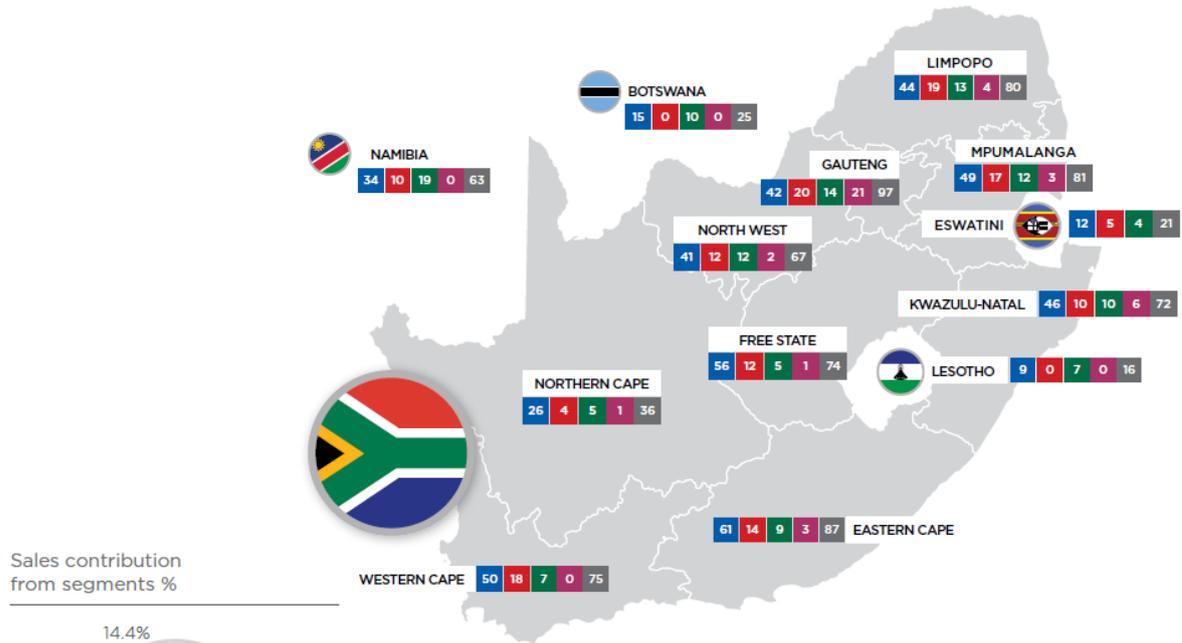
- The group is committed to service excellence and offering quality, exclusive merchandise. High levels of repeat sales to existing customers are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, Lewis strives to be an integral part of the communities in which it operates. Shoppers in the traditional retail brands are served by staff from their local communities, with stores being located close to the places where customers live, work and shop. Convenient store locations make it easy for credit customers to pay their accounts in-store and the regular engagement with customers creates further sales opportunities.

Brand profiles

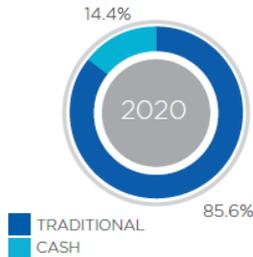
Brand	Target market*	Retail channel	Product offering	
	LSM 4-7	415 stores In SA	Focus mainly on credit sales of household furniture, electrical appliances and home electronics. On average 90% of merchandise deliveries are completed within 24 hours of the sale.	Traditional retail
		70 stores outside SA		
		Average store size 321m ²		
	LSM 4-7	126 stores In SA		
		15 stores outside SA		
		Average store size 130m ²		
	LSM 7-9	87 stores In SA		
		40 stores outside SA		
		Average store size 377m ²		
	LSM 9+	41 stores In SA	Cash sales of exclusive and luxury household furniture, including lounge, dining room and bedroom ranges.	Cash
		Average store size 678m ²		

* Based on Living Standards Measure

Geographic footprint

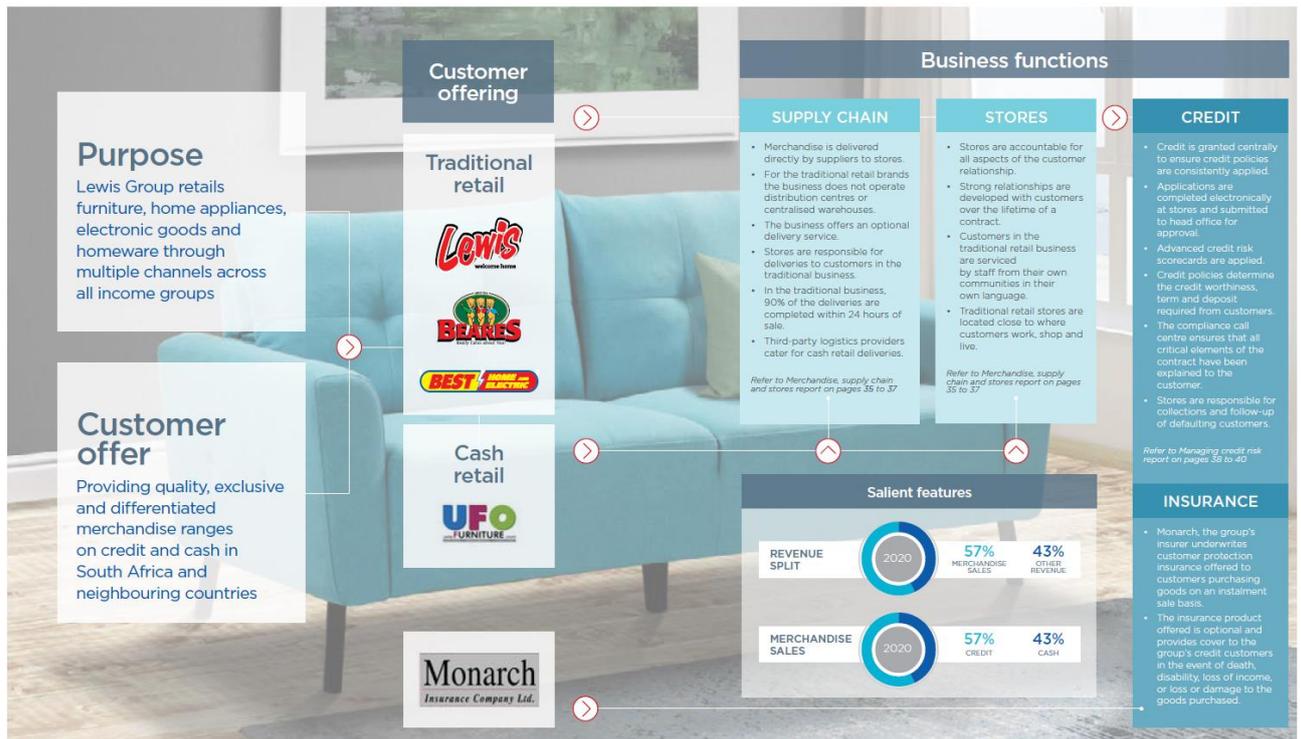


Sales contribution from segments %



Totals stores	Lewis	BEST HOME	BEAR'S	UFO	
In South Africa	415	126	87	41	669
Outside South Africa	70	15	40	0	125
Stores - 31 March 2020	485	141	127	41	794
Stores - 31 March 2019	489	138	121	36	784

5. BUSINESS MODEL



Monarch
Insurance Company Ltd.

6. STRATEGY AND TARGETS

Lewis Group's strategy is to offer exclusive merchandise to customers across all market segments and income groups in Southern Africa, focusing on the retailing of furniture, home appliances, electronic goods and homewares on credit and cash.

Diversification strategy

The group adopted a strategy to diversify the business and reduce the reliance on credit sales. In 2014, the group acquired the Beares brand with a focus on a higher target market and a higher proportion of cash sales than the traditional retail brands. Beares currently trades out of 127 stores.

In 2017, through acquisition, the group doubled its store base outside of South Africa to 116 stores in Botswana, Lesotho, eSwatini and Namibia. Stores outside South Africa now account for 14.9% of the group's revenue.

The acquisition of cash retailer United Furniture Outlets (UFO) in 2018 enabled the group to target a higher income customer market and increase cash sales. UFO contributed 14.4% of total group sales in the reporting period, increasing the cash: credit sales mix to 43.1%: 56.9%.

Medium-term growth strategies are developed by executive management and reviewed and approved by the board. These growth strategies are developed by considering internal and external factors, risks and opportunities, resources and relationships, and key interdependencies. The strategy is further supported by detailed business plans and budgets, information technology solutions, human capital requirements and operational policies and procedures.

Material issues and risks that could impact on the group's strategy, its stakeholders and its ability to sustain growth are reviewed on a continuous basis as part of the strategic planning process (refer to Material issues and risks report listed under point 1). Action plans are developed to achieve the strategic objectives and to manage the material impacts on the group.

Strategy unchanged for Covid-19

While Covid-19 continues to have a significant impact on the business, the group's core strategy is unchanged and has been consistently applied through the crisis. Management remains flexible in the execution of the strategy and continually adapts and adjusts its shorter-term operating plans in response to specific Covid-19 related challenges and opportunities.

The group's medium-term operational and financial targets have been adjusted taking account of the impact of Covid-19 as well as the expected impact into the future. Targets for the 2021 financial year are presented to provide guidance to investors on the group's short-term performance expectations. Owing to the uncertainty posed by Covid-19, management will review these targets regularly and communicate changes to investors at results presentations.

Strategic focus areas, performance indicators and targets

Strategic focus areas	Performance indicators	Achieved 2020	Targets		
			2020	2021	Medium-term
Merchandising and supply chain	Gross profit margin (%)	41.0	38-42	38-42	38-42
Credit management	Debtor costs as a percentage of debtors at gross carrying value	17.6	13-17	15-18	13-16
	Satisfactory paid customers (%)	70.5	70-72	64-67	70-72
Operational management	Operating profit margin (%)	3.9	7-10	5-7	10-15
	Credit sales as a percentage of total sales	56.9	56-60	56-60	56-60
	Increase in operating costs % (excluding debtor costs)	4.3	6-8	3-5	4-6
Capital management	Gearing (%)	12.0	Below 15	Below 15	Below 25

7. **MERCHANDISE AND BRANDS**

The group's merchandise strategy is focused on providing customers with quality, exclusive and differentiated ranges.

Innovative product sourcing both locally and offshore, together with the strength of long-term supplier relationships, ensures that the group offers customers distinctive ranges. Added value features and components ensure differentiation and enhance the value of the merchandise.

New ranges are launched twice each year to introduce newness to the merchandise offering and thereby attract customers.

In the traditional retail brands, which target the lower to middle income groups, the focus is on offering quality, value-for-money merchandise ranges. Products are sourced to meet the specific needs of this customer base.

UFO offers luxury exclusive furniture to cash customers in the higher income market.

In the current constrained economic environment, sales are increasingly promotionally driven as customers seek value. All the group's brands expanded their participation in Black Friday in November 2019 and achieved strong sales growth over this promotional period.

Merchandise offering

The merchandise offering covers three core product categories:

Furniture: Bedroom suites, beds, base sets, mattresses, lounge and dining room suites, wall units and kitchen units. Lounge suites and base sets account for approximately 62% of sales in this category.

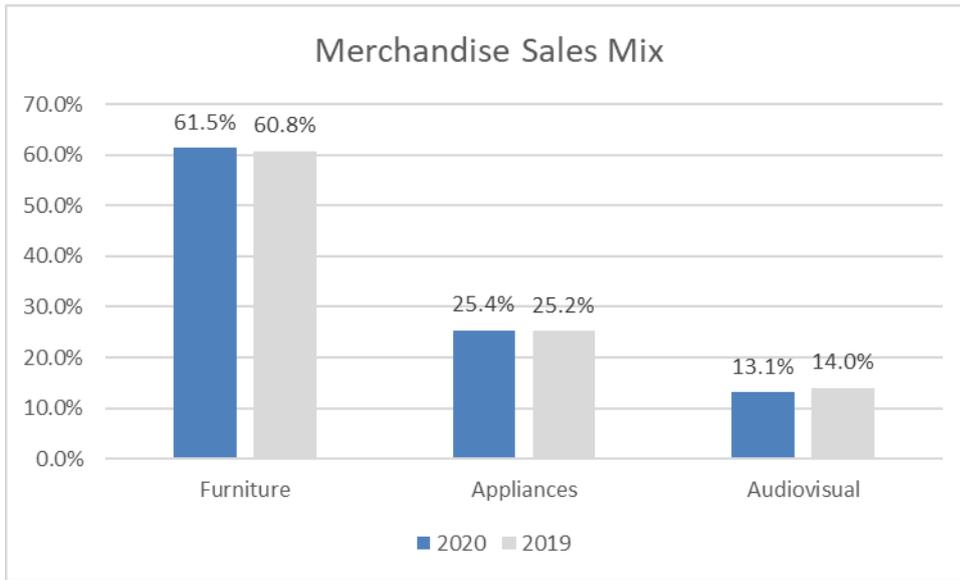
Appliances: Refrigerators, freezers, stoves, washing machines, microwave ovens and small electrical appliances, including well-known brands such as Defy, Russell Hobbs, KIC, Whirlpool and Kelvinator.

Audiovisual: Mainly television sets, audio equipment and laptop computers from leading brands Samsung, Hisense, Sinotec and L.G

In each category the group follows a sell-up strategy of "good", "better", "best" or "more for less".

The focus has remained on increasing sales of the higher margin furniture and appliance product categories, while more contemporary lines are offered in each furniture sub-category to attract younger customers.

An electronic merchandise catalogue is utilised in all traditional retail stores, providing the customer access to the complete merchandise range despite space limitations. The full product range, including all available colour and fabric options, are displayed on a large touch screen.



Merchandise sourcing

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive merchandise ranges. Imported merchandise accounted for 28.9% of stock purchases in the reporting period.

As a member of the Proudly South African Association, we share a commitment to an uplifting ethos that promotes social and economic change.

We endeavour to source locally by investing and partnering with local manufacturers, making a meaningful contribution to building a better South African economy, alleviating unemployment and retaining existing employment opportunities.

Products are supported by local and overseas after-sales service to ensure quality standards are maintained. Prior to consignments being dispatched from international suppliers, samples of all imported products are assembled and tested for quality purposes.

Supply chain and distribution

The group's supply chain model is based on locally sourced merchandise being delivered directly to stores, supported by leading shipping and logistics providers for imported stock

As the group does not operate distribution centres or centralised warehouses for the traditional retail brands, each store has a storage facility which is located close to the store, generally in areas with lower rentals than retail space. This strategy limits the build-up of obsolete stock and reduces markdowns.

Traditional retail stores have dedicated delivery vehicles which enables an average of 90% of deliveries to be completed within 24 hours of the product being sold.

Stores

The group's store base increased to 794 following the opening of 19 stores and the closure of 9 stores in the past financial year. This includes 125 stores in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho. Refer to the retail store footprint included under note 4 for a breakdown of the store portfolio by brand and location.

Traditional retail

Stores are accountable for all aspects of the customer relationship. The personal and relationship-based interaction with customers in the stores creates trust and confidence while ensuring high levels of customer loyalty.

In the traditional retail brands a significant amount of credit sales are generated from existing customers. This is largely attributable to the success of the customer re-serve programme which identifies existing customers for potential further credit, based on their payment history.

The traditional retail stores are generally located in main streets and town centres, close to places where target customers live, shop and work. Customers are serviced by staff from their own communities in their own language.

The Lewis brand carries a comprehensive range of merchandise and cater for specific markets and regional differences. Stores have an average trading space of 321m² and the smaller format stores are 250m². The smaller format store, introduced in 2010, has enabled the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 223 small format stores in its portfolio.

An active store refurbishment programme ensures that stores remain relevant and modern, with stores being refurbished on average every five years. During the 2020 reporting period 150 stores across the portfolio were refurbished.

8. CORPORATE GOVERNANCE

The Group is committed to the highest standards of corporate governance based on the principles of integrity, transparency and accountability in its dealings with all current and future stakeholders.

Governance structures and processes across the group are regularly reviewed to not only meet legislative and regulatory compliance, but to ensure ongoing sustainability and the creation of long-term shareholder value and benefits for all stakeholders.

The Group has adopted the recommendations of the King Report on Corporate Governance (King IV) – as entrenched in section 7 of the JSE's Debt Listing Requirements as updated with effect from 31 August 2020 – and implemented the changes required by the Companies Act (Act 71 of 2008, as amended) which came into effect on 1 April 2017.

Application of King IV principles

In the 2020 financial year, the Lewis Group reviewed and assessed its adherence to the 16 applicable principles of the King IV Code of Corporate Governance (“**King IV**”).

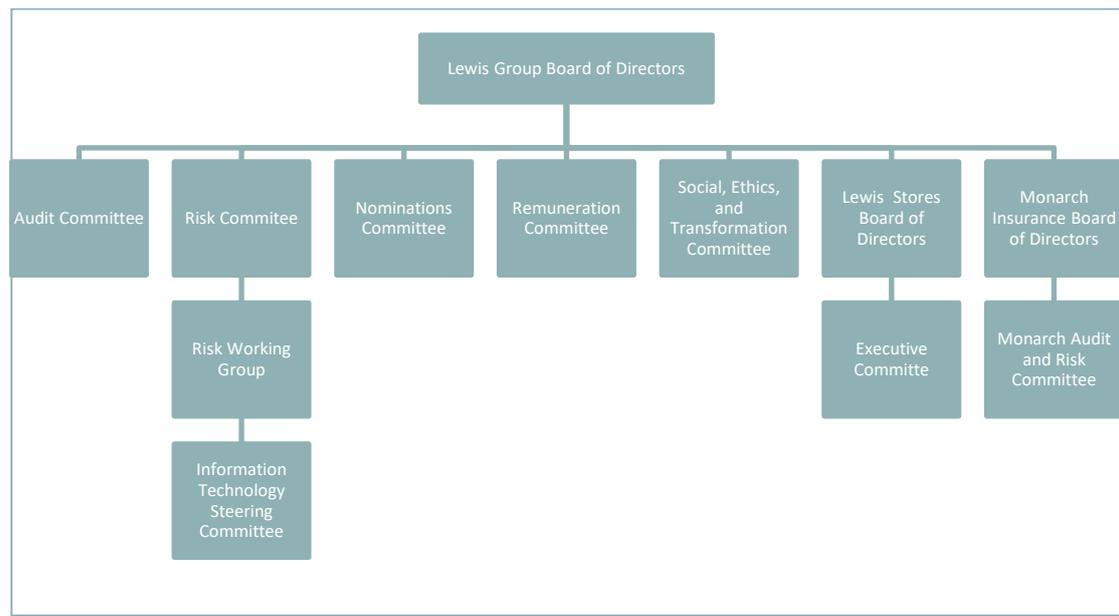
The board confirms that its primary governance roles and responsibilities are to:

- Steer and set the strategic direction of the group,
- Approve policy and planning,
- Oversee and monitor; and,
- Ensure accountability.

Compliance of the Lewis Group’s adherence to King IV shall be available on the website of the Issuer at https://www.lewisgroup.co.za/wp-content/uploads/2020/09/Lewis_king_4_report_2020.pdf

Governance Structure

The following board and committee structure is currently in place for the Group.



The Group’s Corporate Governance report is available on <https://www.lewisgroup.co.za/governance/corporate-governance-report/>

AUDIT COMMITTEE

The role of the audit committee is to assist the Board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and to ensure that relevant compliance and risk management processes are in place. Additionally, the audit committee oversees, and reviews work performed by the external auditors and internal audit function. It also oversees financial risks and internal financial controls, including the integrity, accuracy and

completeness of the financial information and annual integrated report, which is provided to shareholders and other stakeholders.

Notwithstanding its duties, the audit committee:

- 8.1. shall consider and satisfy itself, on an annual basis, of the appropriateness of the expertise and experience of the financial director;
- 8.2. ensure that the Issuer has established appropriate financial reporting procedures and that those procedures are operating;
- 8.3. shall request from the audit firm (and if necessary, consult with the audit firm on) the information detailed in paragraph 22.15(h) of Section 22 of the JSE Listings Requirements in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every reappointment as well as, in the instance of a new issuer, prior to registration of the programme; and
- 8.4. notwithstanding the provisions of Section 90(6) of the Companies Act, shall ensure that the appointment of the auditor is tabled as a resolution at the annual general meeting of the Issuer pursuant to Section 61(8) of the Companies Act.

The Issuer shall confirm, by reporting to the Noteholders in its annual financial statements, that the audit committee has executed the responsibilities.

9. **REGULATORY ENVIRONMENT**

The Group operates in a highly regulated environment and accordingly compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of the Group culture and is of utmost importance to the Group. The board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders, including the National Credit Regulator. The Group is not a deposit taking institution and therefore does not fall under the ambit of the Banks Act.

The following are the major legislative frameworks, regulations and codes that affect the Group:

National Credit Act, Act No. 34 of 2005 (“NCA”)

The NCA came into effect on 1 June 2007 and it provides for the regulation of credit and credit providers in South Africa. The NCA requires certain persons who provide credit to consumers under credit agreements to which the NCA applies to register with the National Credit Regulator (“NCR”). The NCR is a body established under the NCA to ensure compliance with its provisions. In relation to the granting of credit, the NCA regulates amongst other things:

- standards regarding the advertising of credit;

- the procedure for granting credit, and financial history/affordability analysis;
- the documentation required to grant credit;
- minimum lending criteria;
- rules regarding the calculation of interest;
- maximum allowable interest rate and administration fees;
- the reporting to, and receipt of consumer credit information from credit bureaus and the NCR;
- insurance that is sold in relation to credit agreements (credit insurance);
- the protection of consumer rights and the prohibition against discriminatory practices; and
- the prevention of the granting of reckless credit.

Also included in the NCA are the provisions and procedures relating to debt counselling and debt-restructuring.

Financial Sector Conduct Authority (“FSCA”)

The FSCA is an independent institution envisioned by the Financial Sector Regulation Act, 2017, to oversee the South African Non-Banking Financial Services Industry in the public interest. The FSCA is responsible for market conduct regulation and supervision. It aims to enhance and support the efficiency and integrity of financial markets and to protect financial customers by promoting their fair treatment by financial institutions, as well as providing financial customers with financial education, and maintaining financial stability. The FSCA is committed to the fair treatment of both users and providers of financial products and services in South Africa.

Insurance Act, 18 of 2017 (the “Insurance Act”).

The Insurance Act provides for the registration of all insurers and provides the legal framework for the prudential regulation and supervision of insurance business.

Competition Act, 89 of 1998 (“Competition Act”)

The Competition Act provides for the establishment of a Competition Commission responsible for the investigation, control and evaluation of restrictive practices, abuse of dominant position and mergers and for the establishment of a Competition Tribunal responsible to adjudicate such matters and for the establishment of a Competition Appeal Court and for related matters thereto.

New Companies Act, 71 of 2008 (“Companies Act”)

The Companies Act has the stated objective to reform South Africa’s company laws in order to simplify the existing regime, increase flexibility, ensure corporate efficiency, and provide transparency and accountability as well as predictable regulation of companies.

Some of the key changes introduced by the Companies Act are in the areas of institutional reform, company categorisation, company formation, accountability and transparency, corporate finance, shareholder provisions, director’s duties and board governance, fundamental transactions, takeovers and share purchases, the introduction of the concept of business rescue, remedies and enforcement.

The Consumer Protection Act, 68 of 2008 (“CPA”)

The CPA came into effect on 1 April 2011. The CPA aims to promote a fair, accessible and sustainable marketplace for consumer products and services and, for that purpose, to establish national norms and standards relating to consumer protection. The CPA applies to the marketing, sale and delivery of consumer goods and services, and it codifies a set of consumer rights into law, namely the right to:

- equality in the consumer marketplace;
- privacy;
- choose;
- disclosure and information;
- fair and responsible marketing;
- fair and honest dealing;
- fair, just and reasonable terms and conditions; and
- fair value, good quality and safety.

Protection of Personal Information Act (“POPI”)

The draft POPI was published for comment in 2009. The commencement date of section 1, Part A of Chapter 5, section 112 and section 113 was 11 April 2014. The commencement date of the other sections of the POPI was 1 July 2020 (with the exception of section 110 and 114(4)). POPI aims to promote the protection of personal information of individuals processed by public and private bodies. POPI provides for the comprehensive regulation of all aspects of the collection, use, disclosure, storage of and access to “personal information”. POPI introduces 8 (eight) Information Protection Principles into law, namely:

- processing limitation;

- purpose specification;
- further processing limitation;
- information quality;
- openness;
- security safeguards;
- data subject participation; and
- accountability.

Financial Advisory and Intermediary Services Act, 37 of 2002 (“FAIS”)

FAIS legislation impacts on the financial services industry and aims to regulate the giving of advice and intermediary services supplied to consumers. All financial services providers are required to be registered with the FSCA.

FAIS aims to protect consumers of financial services and products, as well the industry and intermediaries. Service providers are required to be trained in order to provide appropriate advice to consumers as well as ascertain their financial needs and to also assist consumers in making informed financial choices.

Financial Intelligence Centre Act, 38 of 2001 (“FICA”)

The regulatory framework of FICA requires 'know your client', record-keeping and reporting obligations for institutions. It also requires accountable institutions to develop and implement internal rules to facilitate compliance with these obligations.

The Financial Intelligence Centre was established in order to identify the proceeds of unlawful activities and to combat money laundering activities. The Financial Intelligence Centre aims to meet its objectives by making information collected by it available to investigating authorities such as the South African Police Services (SAPS), the National Prosecuting Authority (NPA) through the Directorate of Special Operations and the Asset Forfeiture Unit, the intelligence services and the South African Revenue Service (SARS). The Financial Intelligence Centre also exchanges information with similar bodies in other countries.

Debt Collectors Act, 114 of 1998

This legislation provides for the exercise of control over the occupation of debt collectors amend as well as legalising the recovery of fees or remuneration by registered debt collectors; and to provide for allied issues in connection with debt collectors.

10. FINANCIAL PERFORMANCE

The Group's financial performance is provided in the Chief Financial Officer's report on pages 42(forty two) to 44 (forty four) of the 2020 Integrated Annual Report. This report should be read together with the 2020 Annual financial statements.

The key financial and operating targets are:

Performance indicators	Target	Achieved
Gross profit margin (%)	38 to 42	41.0%
Debtor costs as a % of debtors at gross carrying value	13 to 17%	17.6%
Satisfactory paid customers (%)	70 to 72	70.5%
Operating profit margin-based revenue (%)	7% to 10%	3.9%
Operating profit margin- based on sales (%)	12%-17%	6.9%
Credit sales as a % of total sales	56% to 60%	56.9%
Increase in operating costs (excluding debtor costs) (%)	6% to 8%	4.3%
Gearing ratio (%)	< 15%	12.0%

SOUTH AFRICAN EXCHANGE CONTROL

Words used in this section headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The information below is intended as a general guide to the position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.

Non-South African resident Noteholders and emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

Blocked Rand

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “emigrant”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “emigrant” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed "non-resident" or the relevant securities account has been designated as a "non-resident" account, as the case may be.

Exchange Control – Issuer

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.

ISSUER**Lewis Group Limited**

Registered Office:

Universal House

53 Victoria Road

Woodstock

South Africa

Contact: Eleena Moodley

Tel: 021 460 4940

ARRANGER, DEALER AND DEBT SPONSOR**Absa Corporate and Investment Bank, a division of Absa Bank Limited**

Registered Office:

15 Alice Lane, Sandown, Sandton 2916

South Africa

Contact: Debt Capital Markets

Tel: 011 895 7298

COMPANY SECRETARY

Registered Office:

53A Victoria Road, Woodstock, 7915

South Africa

Contact: Ntokozo Makomba

Email address: NtokozoM@lewisgroup.co.za

ISSUER AGENT

Absa Corporate and Investment Bank, a division of Absa Bank Limited

Registered Office:

15 Alice Lane, Sandown, Sandton, 2196

South Africa

Contact: Debt Capital Markets

Tel: 011 895 7298

DEBT OFFICER

Jacques Bestbier

53A Victoria Road, Woodstock, 7915

Tel: 021 460 6103

LEGAL ADVISER TO THE ISSUER, ARRANGER AND DEALER

ENSafrica

(Registration Number 2006/081200/21)

35 Lower Long Street

Foreshore, 8000

Cape Town

South Africa

Contact: C van Loggerenberg

Tel: (021) 410 2500

AUDITORS TO THE ISSUER

PricewaterhouseCoopers Inc.

South Africa

Contact: Thinus Hamman

Tel: 021 529 2183